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ROBERT J. COUGHLIN
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325 CHENNAULT CIRCLE
MAXWELL AFB AL 36112-6427

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SOURCES OF CONFLICT IN THE MIDDLE EAST

THE HAVES AND HAVE NOTS

BY

ROBERT J. COUGHLIN

Colonel, U.S. Army

A RESEARCH PAPER SUBMITTED TO THE FACULTY

IN

FULFILLMENT OF A CURRICULUM REQUIREMENT

M.E.

Advisor: Dr. ~~Mohammed~~ Ahrari

MAXWELL AIR FORCE BASE, ALABAMA

April 1993

SOURCES OF CONFLICT IN THE MIDDLE EAST

THE HAVES AND HAVE NOTS

INTRODUCTION

In the 45 years since the formation of the state of Israel, six major wars have been fought in the Middle East. The first four of these wars were fought between the State of Israel and coalitions of Arab States. In the decades of the 1980's and 1990's, wars were fought between an Arab ~~States~~ & a non-Arab state (Iran - Iraq) and between an Arab State and a coalition of regional and global powers (Gulf War). The~~se latter two~~ last conflict~~s~~ involved a precious ~~were caused by social and~~ resource, oil ~~issues~~, ~~and~~ not the traditional Israeli - Palestinian problem. Resources are likely to be ~~now constitute~~ the major source of conflict in the region in this & the next decade. This paper will examine two of the resources critical to the economic future of the region - oil and foreign aid.

you need a more elaborate statement of purpose, hypothesis if you will.

Poverty, conquest and conflict are old issues in the Middle East. Domination by and economic dependency on outside powers likewise is an old story for the region. Centuries of rule by the Ottoman empire were followed by decades under the control of European colonial powers. Following World War II, that cycle of conquest and dependency appeared to be broken as Arab nation states emerged from colonial rule. Unlike other former European colonies, the old/new nations of the region appeared to have the economic resources, skilled population base and social coherence needed to successfully emerge from colonial dependency. This promise, despite the discovery and exploitation of enormous petrochemical resources, has not been fulfilled. Oil has contributed more to economic and social unrest in the region than to the creation of independent stable states.

Unresponsive incompetent bureaucracies, overspending on both defense and consumption, neglect of education and inequities in the distribution of wealth have all acted to waste the opportunity to resurrect the past glories of Arab civilization. Our Air War College visit to the region served to highlight the disparities in wealth,power and privilege that exist in the Middle East.

First Impressions

Flying into Cairo, our aircraft passed over the pyramids of Giza. From the air they were awe inspiring symbols of a great civilization. Landing at Cairo's international airport, we passed through a sargasso sea of bureaucracy and boarded a bus for a trip to those same pyramids. On the way we passed through the city of Cairo. Evidence of the October 1992 earthquake was everywhere. This city of 15 million still had large sections where people lived in rubble. At the same time next to absolute poverty stood magnificent palaces, luxurious hotels and imposing government edifices. Arriving at the pyramids, we were immediately inundated with hordes of children and adults aggressively selling trinkets. That night we visited the Khan Il Khalili market. There free enterprise shone brightly despite on overall air of physical disrepair. The kaleidoscope of pyramids and poverty, palaces and rubble captured the tremendous tensions that exist between the haves and have nots in the region.

In contrast to the lethargy and ghosts of past glories in Egypt, Israel hummed with energy but also vibrated with tension. Activity was constant in Tel Aviv. It reminded me of large cities on the American east coast--dirty, busy, purposeful. In the countryside jarring contrast existed between hard work at reclaiming the desert for agriculture and a casual indifference to litter and landfills. The people were simultaneously energetic and weary. Weary of the threat of war. Weary of the Palestinian crisis. Weary of constantly needing to justify their existence. Wary of too much dependence on the United States for military and economic aid. Everything they said and did sent the message that you are our friends but we rely on ourselves first, last, and always.

Saudi Arabia contrasted starkly with both Egypt and Israel. Although viewed through the miasma of eight time zone changes, Riyadh was a story book city springing new and clean from the desert. Buildings and roads were new but virtually empty of the people and traffic normally associated with capital cities. The people we met and talked with seemed bent on impressing the visitor with the richness and influence of the kingdom. But the question that kept occurring to me at any rate was, where are the workers in this city and who are they? What, aside from petro dollars, makes this city run? Does the city exist as a symbol or as a place for people to live and work? Our visit to Dharhran showed us a more human face of the country. Here the feeling of oppression invoked by the strict Islamic regimentation of Riyadh was not as omnipresent. Here too, the contrast between the rich and poor was also very evident.

Each country in its own way carries the seeds of conflict between the haves and have nots. Saudi Arabia is home to both royalty and migrant workers. Israel is home to both Jews and Palestinians/Muslims. Egypt is home to both the privileged and the poverty stricken. The United States is a friend to each of these very similar yet dissimilar countries and cultures. Our vital interests insist that we foster peace and stability in the region. To do so we must begin to reconcile the differences between our friends and relieve the social and economic pressures that have the potential to ignite the region.

Distribution of Wealth

Knowledge and exploitation of Middle Eastern oil reserves began in the late 19th century (1:109). By 1880, Standard Oil Trust controlled over 70 percent of the then known world supply of oil. By the mid twentieth century seven oil companies (a.k.a. the Seven Sisters) had a virtual monopoly on Middle Eastern oil. The oil producing nations of the region were dominated by these oil producing corporations (Gulf, Texao, Chevron, Mobil, Exxon, Royal Dutch Shell and British Petroleum). Prior to World War II these corporations set production rates and prices while paying oil producing nations a mere 21 cents a barrel in royalties (1:109). Led by Venezuela, the oil producing countries gradually increased their share of oil profits to a 50-50 split by the early 1950s. The result of this improved profit share and increased world demand was an increase in Middle Eastern revenues from $150 million in 1948 to $1.4 billion in 1960.

This 10 fold increase in profits paled in comparison to the rise in profits that began when the Organization of Petroleum Exporting countries (OPEC) came into being in 1960. By 1973, Algeria, Libya, Iraq and Iran had nationalized their oil fields. More conservative governments, Saudi Arabia, Kuwait, the United Arab Emirates and Qatar negotiated phased takeovers of oil company rights that by 1982 had the countries controlling 93 percent of oil company interests. The nations of the Middle East now had full control of their oil resources (1:111-112).

The magnitude of this income is shown in the following figure.

Figure 1

OPEC Oil Revenues, 1974-1988

(billions of U.S. dollars for selected years)

Country	1974	1979	1980	1981	1983	1985	1986	1987	1988
Saudi Arabia[a]	$22.6	$ 57.5	$102.0	$113.2	$ 46.1	$ 25.9	$ 19.3	$ 22.2	$ 20.9
Iraq	5.7	21.3	26.0	10.4	8.4	12.1	6.8	11.7	11.8
Iran	17.5	19.1	13.5	8.6	21.7	15.9	7.4	10.7	8.9
Libya	6.0	15.2	22.6	15.6	11.2	10.4	4.7	5.6	4.8
Nigeria	8.9	16.6	25.6	18.3	10.1	13.2	7.0	7.4	6.7
Kuwait	7.0	16.7	17.9	14.9	9.9	9.5	6.3	6.8	6.5
U.A.E.	5.5	12.9	19.5	18.7	12.8	12.2	6.6	8.9	7.4
Venezuela	8.7	13.5	17.6	19.9	15.0	13.1	6.8	8.3	7.3
Algeria	3.7	7.5	12.5	10.8	9.7	5.7	2.7	3.4	2.8
Indonesia	3.3	8.9	12.9	14.1	9.9	18.5	4.3	5.7	4.8
Qatar	1.6	3.6	5.4	5.3	3.0	3.1	1.6	1.9	1.5
Ecuador	—	1.0	1.4	1.5	1.1	2.0	0.9	0.7	1.2
Gabon	—	1.4	1.8	1.6	1.5	1.7	0.7	1.0	0.9
Total	$90.5	$195.2	$278.8	$252.9	$160.4	$143.3	$ 75.1	$ 94.3	$ 85.5

[a] Includes half Neutral Zone.

Sources: *Petroleum Economist*, Petroleum Finance Company.

A cursory review of this data reveals that historically prominent regional powers (e.g. Egypt and Syria) are not included in the ranks of major oil exporting countries. Fortunately for the non-exporting countries:

> ...high-income oil countries are thinly populated, they could not meet the increased manpower needs for construction projects o't for new from the poor countries of the Middle East began pouring into the rich oil producing countries...(2:16)

The remittances contributed to national economies by these workers became a major source of income as shown in Figure 2.

Figure 2

Table 2.2 Receipts of Workers' Remittances (in $US millions)

	Egypt	*Syria*[a]	*Jordan*[b]
1970	29	7	16
1972	104	40	21
1974	189	45	75
1980	2,696	774	640
1981	2,855	581	875
1982	1,935	446	907
1983	3,166	461	909
1984	3,930	327	983
1985	3,500	293	787
1986	2,973	251	938
1987	2,845	250	754
1988	3,400*	210*	749*

a. Published data in Syria refer to private transfers, but most of this is believed to be workers' remittances. Official accounts of such transfers are probably underestimated, since an increasing part of it has been converted on the free market to take advantage of higher exchange rates, particularly in recent years. In 1979, recorded private transfers exceeded $900 million.

b. Net remittances, after subtracting remittances for foreign workers in Jordan, which amounted to $254 million in 1984, $231 million in 1986, $184 million in 1987, and $154 million in 1988.

* Preliminary figures.

Source: World Bank 1989c, IMF data.

Despite the leveling effect of these remittances, per capita income varies widely between states of the region. If other factors such as adult literacy, longevity and health care standards are evaluated then the disparity between the region's haves and have nots grows even larger. Figure 3 compares regional per capita income and the United Nations Development Program's Human Development Index (HDI). By way of comparison, no Middle East country has an HDI rating as high as Mexico. "The great majority of Arabs live in countries where HDI is lower than in Indonesia and on a par with sub-Saharan African states. Egypt, the largest Arab state, has a lower literacy rate than Cambodia, Zambia or Bolivia." (3:8) Figures shown are prior to the Gulf War with HDI figures in particular expected to fall as a result of the war. Increased revenue alone then has not brought prosperity. Why not?

Figure 3

INCOME DISTRIBUTION*

Country	Population (Mil)	GNP ($Bil)	Income per capita (1988)	HDI*
Egypt	53.3	36.0	$ 710	0.501
Iran	51.9	86.4	1,750	n/a
Iraq	17.6	40.0	2,400	0.759
Israel	4.3	29.8	6,810	n/a
Jordan	2.8	4.4	1,540	0.752
Lebanon	2.7	n/a	n/a	n/a
Libya	4.0	22.3	5.500	0.719
Bahrain	0.5	4.0	8,330	n/a
Kuwait	1.9	27.3	14,870	0.839
Oman	1.3	7.8	5.780	0.535
Qatar	0.3	4.1	12,360	n/a
UAE	2.0	22.8	15,680	0.782
Saudi Arabia	15.5	83.3	6,390 (1986)	0.072
Syria	11.6	20.4	1,820	0.691
North Yemen	6.7	4.9	580	0.369
South Yemen	2.4	1.0	420	0.328

*ranking from 0.0 to 1.0 with 1.0 = highest development

Source: The Middle East--7th edition, Congressional Quarterly, Inc. 1991 and UN Human Development Report 1990

ECONOMIC DEVELOPMENT

States of the Middle East region by ~~in~~ and large are characterized by strong central governments, with ~~only~~ limited "popular democracy" in few countries, Governmental philosophies range from liberal monarchies to modified socialism. Conditioned by years of Ottoman rule, colonial administration and the role model of Egyptian style bureaucracies, states-- not an entepreneurial class, drive investment. State objectives, not the profit motive, have governed how and why oil revenues were spent. In terms of the poorer Arab States, Lavy in his book Foreign Aid and Economic Development in the Middle East perhaps sums it up best when he writes:

Egypt, Syria and Jordan provide the economic equivalent of a

> laboratory setting for studying what an economy shouldn't do with an abundance of foreign funds. Like heirs who party rather than develop a career, they failed to use it prudently in ways that would create an earning potential for future meager years. (2:1)

Analysis of the impact of oil revenues and worker remittances shows that much of this windfall went to defense spending, subsidies for public consumption, low rate of return "prestige" projects, and imports in general. Defense spending in the region has been and continues to be among the highest as a percent of GNP in the world. Military spending as a percent of GNP for example is 20 percent for Jordan, 18 percent for Egypt, 25 percent for Syria and 25 percent for Israel. By comparison, the United States spends 6.9 percent of GNP on defense. (2:3) Current projections for the United States show defense spending declining to less that four percent by 1995.

Where are your footnotes?

This spending pattern produces a typical lesser developed country (LDC) balance of trade problem. A balance of trade problem in turn produces a deficit/debt problem unless the net growth of exports exceeds the growth of imports. While some countries in the region have attempted to spur increased industrial growth, this growth has frequently not been able to overcome high population growth rates, the limited natural resource base apart from oil and the initially low levels of literacy in the region. (4:219) The result is that many of the countries of the region find themselves saddled with enormous and growing external debts. By the end of 1986, Egypt had an external debt of $49.9 billion (not including $7 billion in debt forgiven by the U.S.), Iraq had a debt of $82-89 billion, and Jordan a debt of $5.5 billion.

Richards and Waterbury in their book <u>A Political Economy of the Middle East</u>, break Middle Eastern economies into five general categories as follows:

1. Coupon Clippers: Libya, Kuwait, Oman, UAE, Bahrain, Qatar. Oil experts almost entirely dependent on oil and money earned from overseas investments. Kuwait earns most of its income from overseas investment and is the most successful coupon clipper.

2. The Oil Industrializers: Iraq, Iran, Algeria, and Saudi Arabia. These countries enjoy substantial oil exports and revenues as well as large enough populations or other resources to make industrialization a real option.

3. The Watch Makers: Israel, Jordan, Tunisia, and Syria. These small countries have limited natural resources and must therefore concentrate on investing in human capital and on exporting skill intensive manufactures. ...All have made major efforts to educate their people; manufactured goods now account for 84 percent of Israeli, 52 percent of Jordanian, and 42 percent of Tunisian exports. Syria lags behind the others in both education and manufactured goods.

4. The Newly Industrialized Countries (NICs): Turkey, Egypt, and Morocco. These countries have no oil (Turkey and Morocco) or insufficient oil to support a long run growth strategy. They have relatively large populations, relatively good agricultural land or potential, and a long experience with industrial production. Continued industrialization and improvements in agricultural efficiency is essential if these countries are to improve the welfare of their people.

5. The Agro Poor: Sudan and the ~~Yemens~~. These are the poorest countries of the region. Growth potential is grimmest in Sudan. The ~~Yemens~~ may break out of this category based on recently discovered oil deposits.

U.S. trade with key regional powers/actors is shown in Figure 4. U. S. trade with Israel reflects her declining defense imports (20 percent of total imports in 1985 vs 10 percent of total imports in 1990) rising civilian imports, and rising exports of industrial goods. Trade can be both a strength and a weakness for Israel. "In 1990 trade turnover (exports plus imports) was equal to over half of GDP (54.3 percent). This means that Israel is extremely vulnerable to developments in the international economy." (9:20) U.S. trade with Egypt reflects sales of defense equipment and foodstuffs both significantly financed by grants from the U.S. government.Trade with Saudi Arabia reflects U.S. sale of semi finished goods, machinery and transport and U.S. import of petroleum products. U.S. trade with Jordan is small and consists principally of foodstuffs and an assortment of manufactured goods. Trade with Syria is the smallest of any of these nations at least partly as a result of U.S. and EEC imposed sanctions brought about by Syrian support of terrorism. The lifting of the sanctions as a result of Syria's participation in the Gulf War and the overt renunciation of state support for terrorists should spark an increase in trade between the U.S. and Syria.

Figure 4

United States Trade by State (1989) (millions U.S.$)

	Israel[2]	Egypt[1]	Saudi Arabia[1]	Jordan[1]	Syria[1]
Import $	3163	248	7817	9.3	108
Market Share*	29.7%	3.5%	21.4%	3.9%	3.6%
Export $	2361	2610	3580	381	92
Market Share*	17.2%	15.4%	20.9%	17.4%	7.9%
U.S. Balance	(802)	2361	(4237)	371	(16)

* Indicates U.S. share of each country's import/export market
Source: 1. OECD Trade With the Middle East, CIA, Feb 92
2. "Kaleidoscope: Current World Data", ABC-CLIO, Inc., 1991

Labor Force

Arab nations of the Middle East have a significantly lower median age (Fig 5) than Israel. This young population is a result of a continuing high population growth rate that increases consumer consumption, strains government resources, and overwhelms their already slow job growth. Despite significant government expenditures on education, illiteracy rates continue to be high in all Arab countries of the region and among the Arab population of Israel. Again, with the exception of Israel, Arab countries do not yet possess the skilled work force needed to increase the manufacturing output/industrialization of their countries. Both Syria and Egypt face the daunting problem of having a labor force that is 50 percent illiterate. Poverty, illiteracy, and youth combined with glaring social and economic disparities in an urban environment is indeed an explosive mixture. Even the cultural conditioning of centuries of authoritarian rule may not be sufficient to keep the populations of these countries docile in the age of information and mobility. Prospects for adequate economic growth are not good for these Arab nations.

Although more urban than any other country of the region, Israel is blessed with a highly skilled work force, a low population growth rate and an industrial base built with hard work and large amounts of private and non private aid. This low population growth would be lower still except for the influx of Soviet Jews in the past several years. These immigrants also brought significant skills with them when they immigrated. In the first four months of 1990 for example, the distribution of Russian immigrants by occupation was 40.3% academics, 24.5% engineers, 5.9% doctors, 34.1% professionals, 4.8% nurses, 10.8% managers/clerks/service workers and 14.8% manufacturing workers. (9:34) While the overall skill levels of these workers are not as hign as western counterparts, they are nonetheless skilled additions to the labor force. Current Israeli governmental expenditures to house, acculturate, and place these workers will be repaid with productive citizens. This influx of skilled labor coupled with nominal export growth of 84 percent in the period since 1984 and a slower increase in import growth (68 percent) bodes well for the future strength of the Israeli economy. Unlike their Arab neighbors, Israel faces a period with improving per capita economic growth.

Figure 5

Labor Force Demographics

	Israel	Egypt	Saudi Arabia	Jordan	Syria
Illiteracy (%)	12.0/30.0[1]	55.0	38.0	20.0	51.0
Population Growth (%)	1.4	2.2	3.8	3.3	3.5
Distribution Urban (%)	91.6	8.8	77.3	68.1	51.8
Educ. Spending (%of Govt)	10.1	12.0	16.2	15.3	10.4
Median Age	25.9	19.9	17.5	17.3	15.9
Life Expectancy	76.3	63.1	65.8	67.9	67.2

Note[1] Jews/Arabs
Source: Kaleidoscope: Current World Data, ABC-C/10, Inc., 1991

Foreign Aid

Foreign aid to countries of the Middle East is based on both political, military, and humanitarian factors. Five countries in the Middle East are aid givers: Saudi Arabia, Kuwait, UAE, Qatar and Libya. Israel, Egypt, Syria, Jordan, the Yemens, and Sudan are aid recipients. These countries receive aid from three general categories of donors: The U.S., Western Europe and Arab donors. Each category of donor has different motivations.

U.S. aid--principally to Israel and Egypt--is almost evenly divided between military and economic aid. Military aid to Egypt in the form of loans and grants between 1946 - 1988 amounted to $12.1 billion. Economic aid amounted to $14.8 billion. Much of the aid came in the form of arms and food. Israel has received $25.8 billion in military aid and $15.0 billion in economic aid. Following the Camp David Accords, U.S. aid to Egypt and Israel has been linked. Egypt receives less money than Israel each year but Egypt receives an increase for each increase that Israel receives. By the late 1980s Egypt received $1.3 billion annually in military aid and $1.15 billion in economic and food aid. Reported U.S. aid to Israel by 1986 was $1.8 billion in military aid and $1.2 billion in economic aid. (1:74-77) This U.S. aid also provides an indirect subsidy to U.S. farmers and the defense industry. (5:21)

Western European donors provide aid for economic, political and historical reasons. Commercial considerations seem to play a major role with better access for commercial firms to Middle Eastern markets a major objective. Following the use of the oil embargo in 1973 to punish supporters of Israel, European countries who rely heavily on oil from the Middle East, also clearly have the desire for uninterrupted oil supplies as a motive for giving aid. (6:84-85)

Arab donors have both political and ideological motives. At bottom, self interest for these thinly populated states requires that the highly populated poor countries of the region maintain a standard of living high enough to prevent social unrest from spilling over into their territories. Arab aid has been severely disrupted by the Gulf War. Falling oil prices in the 1980s and reduced world demand had already caused the source of aid to decline. Reconstruction costs, lost production capacity and the disruption of its banking operations will likely eliminate Kuwait's aid efforts for the rest of the decade. Saudi Arabia is also likely to reduce aid efforts in light of the cost of the war.

U.S. financial aid in the region has had mixed results. A case in point is the massive U.S. Agency for International Development (USAID) administered program for Egypt. Between 1975 and 1992, USAID managed an 18.09 billion dollar aid program. The official purpose of the USAID program in Egypt is that it

> ...seeks to increase economic growth, improve the productivity and quality of life for Egypt's people, and strengthen democratic participation in Egyptian institutions and society. Policy reform continues to be the centerpiece of the USAID program, emphasizing structural adjustment and sectoral reform measures that support movement towards a freemarket economy led by the private sector. (12:ii)

Available literature suggests that USAID coupled with the IMF and World Bank have indeed caused/encouraged a wide range of structural adjustment and sectoral reform to occur. Egyptian fiscal policy has reduced budget deficits through a reduction in state subsidies, imposition of a new sales tax, restrained wage increases, and a reduction in the government hiring of new university graduates. Deficits have fallen from 15 to 25 percent of national income to a projected defecit of seven percent of national income for 1992. Further cuts in subsidies are required.

On the negative side "...estimates of current unemployment are 13 - 20 percent...Unemployment is particularly acute among graduates of universities and technical institutes, who make up 65 to 75 percent of the openly unemployed." (13: 8-9) New legislation (1991) has been passed to privatize government owned industries (approximately 70 percent of the industrial sector) but implementation has been slow with only a limited number of new corporations just now being offered to the commercial investor. The anticipated private sector job generation has thus been slowed.

Critics of our U.S. aid program in general and our program in Egypt in particular, charge that the programs create economic dependencies on the part of the recipients and serve as state subsidies to the U.S. agricultural and military economic sectors. The irony of the U.S. preaching privatization of industry through use of a program allegedly designed at least in part to subsidize U.S. industries is not lost on the skeptics.

Numerous articles have been written on the Egyptian agricultural sector and our attempts to assist it. Some state that high population growth rates, lack of arable land, and low mechanization of farms cause the large reliance on imported food. The USAID assessment is: "While agricultural productivity...is already very high in Egypt by world standards, opportunities exist for substantial improvements. Yields can be raised further, and the cropping pattern can be shifted toward higher crop value".(12:56) However, at the same time, USAID acknowledges that efforts to introduce newer high yield crops have proven to be less than successful due to price distortions caused by Egyptian government agricultural policies.

The critics charge that it is these governmental pricing, tax, and export policies coupled with unintended side effects of USAID policies/programs that have increased Egyptian reliance on food imports. According to their analysis state policies encourage diversion of production from maize and other coarse grains traditionally grown in Egypt for human consumption to the production of animal fodder like berseem (clover). "As a result, Egypt now grows more food for animals than for humans... The Egyptian government, supported by large American loans, has encouraged this diversion by subsidizing the import of staples for consumers." (10:20) The net result is that at a time when population growth averaged 2.2 percent annually, agricultural production grew at a rate of 2.7 percent but Egyptian imports of food also grew. Egyptian imports of food now account for approximately a quarter of Egypt's merchandise imports. (10:20)

Since 1975 USAID has provided over $3 billion in aid to finance Egyptian purchases of grain from the United States. (10:21). The American farmer/agribusiness has benefitted from this policy but have the Egyptian people? The bottom line for Egypt has been that food imports for human consumption have risen dramatically while the dollar value of agricultural exports has dropped from $267.5 million in 1965 to $504,000 in 1991.

Unlike the agriculture morass, USAID has had some spectacular success in the areas of protecting the environment and improving the health of the Egyptian people. Annual flooding has been brought under control; Cairo and environs now have vastly improved sewer systems and industrial emissions of sulfur and nitrogen oxides have been reduced. Infant mortality rates have dropped by 50 percent and birth rates have fallen. The cost of these successes has been high for the U.S. taxpayer. Can we continue to afford the $897 million in economic grant aid, $1,300 million in military grand aid, $150 million in agricultural commodity loans (PL 480) and $125 million commodity export credit guarantees annually? What will be the price if we do not?

In many ways, the Egyptian government is in a Catch 22 situation., Eliminating subsidies, reducing bureaucracy, converting bloated governmental industries to leaner more competitive private industry will in the long term create wealth and a growing economy. In the short term however, reforms cause price increases and economic dislocations. Will the social fabric stand the strain? Perhaps slow progress is the only way to maintain both popular support and insure continued IMF/World Bank/ U.S. support.

The Future

> **Police Officer Killed in Cairo Bomb Blast**
> Cairo, Egypt - A police officer was killed and several people were seriously wounded on Saturday in a bomb explosion near a crowded square in central Cairo that the police attributed to Islamic militants.
>
> The explosion, the third in central Cairo in the last month, came as members of a bomb squad were inspecting the device, which had been planted in the Civil Defense Authority building. The building houses not only civil defense offices, but also a police club.
> (News story "Anniston Star" (attributed to "New York Times") Sunday, 28 March 1993)

Our Gulf War victory, the U.S. diplomatic initiative that began Middle East Peace talks, the emergence of the U.S. as the world's sole superpower all set the stage for establishing peace and stability in the Middle East. ~~As the above headline suggests, however~~, sources of conflict still exist that must be resolved before peace will prevail. A military balance of power alone will not insure regional stability. Former Secretary of State, James Baker, stated before the House Foreign Affairs Committee on 6 February 1991, that widespread Arab resentment that oil wealth was not more equitably distributed had played a role in the dynamics leading to the Gulf War and would remain one of the "primary sources of conflict" in the region. I believe that the Middle East will remain a fertile ground for conflict so long as expectations exceed reality. How and what can the U.S. do to def~~ense~~use this crisis?

The Gulf War combined with the lack of soviet military and economic support to Arab rejectionist states has left Israel with no immediate military threat of a magnitude sufficient to hold her survival at risk. A defeated Iraq, an impoverished Syria, and the Camp David Accords make the likelyhood of another Arab-Israeli war in the near to mid term improbable. Given this assumption, political and economic initiatives/investments appear to offer the best approach to achieving stability in the region - not continued massive U.S. military assistance to both Egypt and Israel.

The faint outline of a political settlement was visible during our conversations with Israeli and U.S. officials in the region. A separate peace with Syria (probably with U.S. guarantees to both sides) seems possible today. Once Syria is off the board as an antagonist, the PLO-Hamas-Palestinian crisis may be much more solvable. Pressure will be on the Palestinians to accept compromise. Israel might feel secure enough to risk quicker Palestinian autonomy on the West Bank than her present five year plan admits. In the meantime, daily incidents of bloodshed between the antagonists continue to add names to the lists of martyrs for both sides. The U.S. should use all her political clout to expedite these peace process.

Economic initiatives are needed if the tensions induced by the disparity of wealth, power, and privilege that exists within and between states are to be relieved. A simple increase in U.S. aid to the region is not possible at a time when deficit reduction and increased social spending is the name of the game in Washington. We must do more with less. The first step in that process should be the phased elimination of military aid to both Egypt and Israel. This money should instead be used to improve the standard of living for the have nots of the region. It cannot be a U.S. only program.

The GCC and the ECC countries must be expected to contribute as well. Clearly there must be a central management agency to coordinate the spending program to minimize the duplication that might result from a series of bilateral aid agreements. Both aid givers and recipients must be on this Council/Board to insure that Western ideas do not dominate decision making. Coordination, cooperation, but above all, action is required.

The time is now. The convergence of military, political, and economic events have created the conditions needed to establish regional security and peace in the Middle East. If we wait much longer, the momentum established by the U.S. after the war will dissipate. Other internal and external crises will capture our attention and claim our efforts. The headline that led off this section will be repeated many times in many places.